



# Introduction to Supply

- **Supply** refers to the various quantities of a good or service that producers are willing to sell at all possible market prices.

# Introduction to Supply

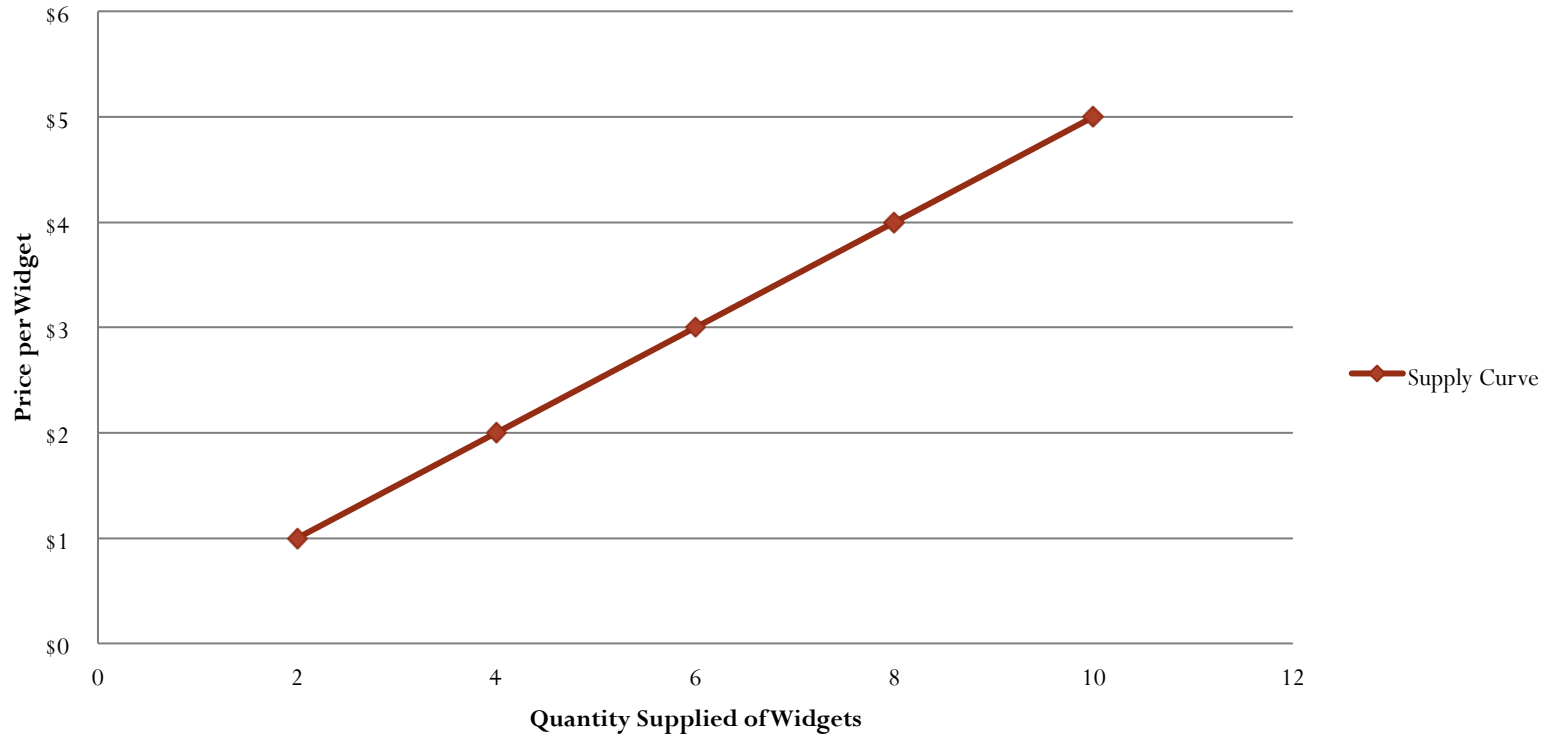
- A **supply schedule** is a table that shows the quantities producers are willing to supply at various prices

Price per Widget (\$)	Quantity Supplied of Widget per day
\$5	10
\$4	8
\$3	6
\$2	4
\$1	2

# Introduction to Supply

- A supply schedule can be shown as points on a graph.
  - The graph lists prices on the **vertical axis** and quantities supplied on the **horizontal axis**.
  - Each point on the graph shows how many units of the product or service a producer (or group of producers) would willing sell at a particular price.
  - The **supply curve** is the line that connects these points.

## Supply Curve for Widgets







What do you notice about the supply curve?

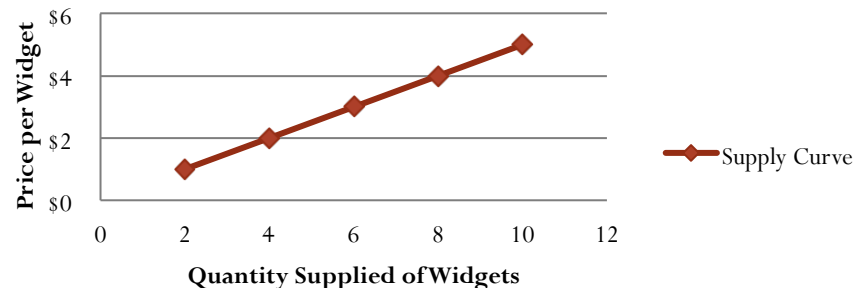
How would you describe the slope of the supply curve?

Do you think that price and quantity supplied tend to have this relationship?

# Introduction to Supply

- As the price for a good rises  the quantity  supplied rises.
- As the price falls  the quantity supplied falls. 
- The **law of supply** holds that producers will normally offer more for sale at higher prices and less at lower prices.

Supply Curve for Widgets



# Introduction to Supply



- The reason the supply curve slopes upward is due to costs and profit.
- Producers purchase resources and use them to produce output.
  - Producers will incur costs as they bid resources away from their alternative uses.



# Shifts in Supply

- **Subsidies and taxes:** government subsidies encourage production, while taxes discourage production
- **Technology:** improvements in production increase ability of firms to supply
- **Other goods:** businesses consider the price of goods they could be producing
- **Number of sellers:** how many firms are in the market
- **Expectations:** businesses consider future prices and economic conditions
- **Resource costs:** cost to purchase factors of production will influence business decisions
- **STONER:** factors that shift the supply curve



# Producers Surplus

- The amount a seller is paid minus the seller's cost.
- The area below the equilibrium price and above the supply curve

